



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - Public distribution

Date: 10/2/2007

GAIN Report Number: KS7064

Korea, Republic of

Poultry and Products

Annual

2007

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Report Highlights:

Due to the continued oversupply of domestic broiler meat the import forecast for 2007 and 2008 has been reduced to 61,000 MT, down 15 percent from earlier estimates. The reduction in imports has hit U.S. suppliers the hardest. In fact, given the current market conditions and the strong competition from Brazil, imports of U.S. poultry meat for 2008 are forecast at 18,000 MT, down more than 50 percent from 2006.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Seoul [KS1]
[KS]

Table of Contents

Production	3
Exports	3
Imports	3
Consumption.....	5
Sanitary Issues	6
TBT Issues	7
Useful Websites	7
PS&D.....	8
Production And Consumption Tables	9
Korea: Broiler Inventories 1/.....	9
Korea: Broiler Productivity.....	9
Korea: Broiler Production Costs.....	10
Korea: Per Capita Consumption of Livestock Products.....	10
Price Tables	11
Korea: Yearly Average Broiler Prices.....	11
Korea: Farm Price for Chicken Meat.....	11
Korea: Wholesale Price for Chicken Meat.....	12
Korea: Consumer Price for Chicken Meat.....	12
Trade Matrix	13
Korea: Import Matrix for Chicken Meat 1/.....	13
Korea: Export Matrix for Chicken Meat 1/.....	14

Data included in this report is not official USDA data. Official USDA data is available at <http://www.fas.usda.gov/psdonlineonline>.

Production

Production statistics submitted for 2005 and 2006 in last year's annual report had inadvertently included imports. The necessary corrections have been made in this report.

Production continues at a record level for a third straight year, resulting in an oversupply of domestic broiler meat. Production was largely unaffected due to several isolated incidents of highly pathogenic avian influenza (HPAI) earlier in the year. The oversupply of broiler meat is attributed to strong farm gate prices during 2004 and 2005. During those two-years, the farm gate price averaged 1,400 won per kilogram (~\$1.40), up by more than 50 percent from 2003. Farm gate prices have subsequently fallen in response to the oversupply.

Production for 2008 is expected to decrease slightly as the Korean poultry industry begins to adjust to current supply situation and high international feed grain prices. In fact, broiler slaughter for 2008 is forecast at 634 million head, down 13 million from the previous year. Production during this same period is likewise expected to decrease by 10,000 MT.

Exports

Korean broiler meat exports range between 1,000 to 3,000 metric tons over the last decade. About 80 percent of total exports are frozen wings, and the remainder is heat-treated processed products such as the traditional chicken soup dish known as "Samgyetang."

Korea reported several cases of highly pathogenic in late 2006 and early 2007. The country subsequently declared itself to the World Health Organization (OIE) as HPAI-free in June 2007. The notice to the OIE is available at: <http://www.oie.int/South Korea HPAI Notice>

In response to these findings, Japan and several other markets suspended shipments of non-heat treated poultry products. Nevertheless, exports were largely unaffected since exports to Vietnam grew more than enough to offset the gap that had resulted from being shut-out of the Japanese market for about 6-months. In fact, exports for 2007 are on track to reach a record of 5,000 MT.

Exports for 2008 are expected to remain unchanged at 5,000 MT as demand is expected to remain strong in Asian markets. Exports could climb slightly higher after Korea becomes eligible to export Samgyetang and other heat-treated processed poultry products to the United States. According to domestic industry sources, the U.S. market could be twice as large as the Japanese market, with exports reaching upwards of 1,200 MT.

Imports

About 80 percent of total imports are frozen broiler legs and wings, while the remainder is heat-treated meat. The United States and Brazil are the two primary suppliers of broiler cuts, while China is the largest supplier of heat-treated meat.

The 2007 import estimate has been lowered to 61,000 MT, in part due to the ongoing oversupply of domestically produced broiler meat and high U.S. broiler meat prices, which are nearly 6 percent higher than last year. These current market conditions have contributed to a 50 percent drop in imports of U.S. broiler meat during the first half of the 2007. The import forecast for U.S. broiler meat has been reduced accordingly, down to 20,000 MT.

Although broiler production is expected dip slightly next year, the oversupply is expected to continue. Additionally, imports of U.S. beef are forecast to increase next year, which will keep broiler meat consumption from growing. Given these anticipated market conditions,

2008 imports of broiler meat are forecast to remain unchanged from the previous year at 61,000 MT. Meanwhile, imports of U.S. broiler meat for 2008 are forecast slightly lower at 18,000 MT.

Imports of U.S. broiler meat will continue to face stiff competition from Brazilian products, especially de-boned leg meat. However, the United States will maintain its price competitive edge in the bone-in chicken thigh and drumstick market.

Brazilian product has made sizeable advances since entering the market in early 2005 and now has a 35 percent market share. This rapid growth is largely attributed to the domestic industry's preference for Brazilian de-boned leg meat, which requires less processing than bone-in leg meat from the United States. Brazilian product also has a very strong reputation for its quality, attractive packaging and packaging size.

In addition to its strong market reputation, the approval of additional establishments will also contribute to increased imports of Brazilian broiler meat in 2008. There are currently eight Brazilian establishments that are approved to export to Korea, with two more awaiting approval before the end of 2007.

The bulk of imported heat-treated meat is from China, with only a small fraction originating from Thailand. Imports of heat-treated well-trimmed boneless meat from China are used in traditional skewered meat dishes. Consumption of this particular dish is expected to remain strong in the coming year. Accordingly, imports of heat-treated meat from China are expected to increase slightly in 2008.

Poultry Price Comparisons by Country (Korean Won per Kilogram) 1/				
Cuts	Domestic 2/	Imports 3/		
		U.S.	Brazil 4/	Denmark
Leg	4,168	902	1,618	-
Wing	4,876	1,758	2,240	1,973
Breast	4,696	4,335	2,020	-

Source: Korea Chicken Council & Korea Customs Service

1/ Exchange rate (1\$=934 Korean won)

2/ Average retail price for chilled products, July 2007

3/ Average CIF prices Jan-Jun 2007

4/ Mainly frozen trimmed bone-less products

Countries Approved to Export Poultry & Poultry Products to Korea	
Countries	Products
United Kingdom, Australia, New Zealand, Taiwan, Denmark, France, Japan, Canada, and United States	Poultry birds, hatching eggs, day old chicks
United Kingdom, France, Chile, Denmark, Taiwan, Australia, Brazil, Japan, Canada, and United States	Fresh, chilled, or frozen poultry meat
United Kingdom, France, Chile, Denmark, Taiwan, Australia, Brazil, Japan, United States, Thailand, China, and Canada	Heat-treated poultry meat

2007 Chicken Imports Based on Quarantine Inspection Basis

(Unit: MT)

Parts		Country	Jan. –Jun.	Jul. 1 -20	Jan – Jul 20
Chilled	No imports.				
Frozen	Breast	U.S.	0	0	0
		Brazil	170.77	0	170.77
		Australia	0	0	0
	Wings	U.S.	146.24	0	146.24
		Denmark	933.72	0	933.72
		Brazil	3,403.57	68.90	3,472.47
	Legs	U.S.	7,090.94	508.49	7,599.42
		Denmark	0	20.50	20.50
		Brazil	6,308.94	164.07	6473
	Whole	U.S.	13.76	0	13.76
Brazil		24.01	0	24.01	
Total (Jan – Jul. 20, 2007)		U.S.	7,759.42		
		Denmark	954.22		
		Brazil	10,140.25		
		Australia	0		
		Total	18,853.89		

Source: National Veterinary Research & Quarantine Service

Consumption

Imported chicken cuts are primarily used in the food and processed service sector in the manufacturing of seasoned chicken dishes, chicken nuggets, seasoned wings, patties, etc. In contrast, local chicken is primarily sold as chilled whole birds with a smaller amount as cuts to both the food service sector and retail markets.

According to industry sources, whole chicken consumption has decreased in recent years from 90 percent to 75 percent of consumption. Of total chicken sales in Korea, fresh chicken meat accounts for 70 percent of sales, while processed and frozen meat products account for 20 and 10 percent, respectively.

Meat derived from domestic spent hens is mostly used as raw ingredients in further processed products such as sausages and hams. The Korean poultry association estimates that 20 million spent hens are used annually in the production of processed products. This figure is included in the PSD statistics.

Consumption of locally produced broiler meat and poultry products was not shaken by several domestic HPAI earlier this year largely since the government and poultry producer groups had conducted educational campaigns regarding the safety of properly cooked poultry products.

Total domestic consumption is expected to remain relatively unchanged from the previous year at 557,000 MT in part due to the expected increase of imports of U.S. beef. Similarly, per capita broiler meat consumption is expected to stay around 8 kg in 2008. However, over the long term, the domestic poultry industry expects that the consumption of poultry meat will continue to increase as has been the case in the United States and Japan, while red meat consumption has declined.

Sanitary Issues

In June, after conducting a thorough stamping out policy after several isolated detections of HPAI in late 2006 and early 2007 MAF declared itself free of HPAI. The notice to the OIE is available at the following link: <http://www.oie.int/wahid-prod/reports/>

In July, 2007, MAF notified the World Trade Organization (WTO) that it would no longer suspend imports of poultry and poultry products due to findings of HPAI in wild birds. This action is consistent with OIE recommendations.

Korea's maximum residue levels maximum residue limits (MRL) for veterinary drugs and pesticides in poultry meat and other livestock products are established by the Korean Food & Drug Administration (KFDA). Detections of unapproved compounds or findings above the specified MRL will result in rejection of the entire cargo. A listing of the current MRLs can be found at the following links:

<http://www.kfda.go.kr/MRLs for Pesticides in Foods>

<http://www.kfda.go.kr/MRLs for Veterinary Drugs>

On April 1, 2008, the Ministry of Agriculture & Forestry (MAF) will reduce the number of permitted feed additives from 25 to 18 in order to decrease the overuse of antibiotics in livestock compound feed. This new regulation only applies to the use of these veterinary drugs in domestic and imported compound feed. This change is part of a larger government plan to reduce overall levels of antibiotic residues in meat and poultry.

Veterinary Drug Usage in Compound Animal Feed		
Drugs Currently Approved		Drugs Discontinued April 1, 2008
1. Chlortetracycline	14. Penicillin	1. Chlortetracycline
2. Oxytetracycline	15. Bambermycin	2. Oxytetracycline
3. Bacitracin Zn	16. Tiamulin	3. Colistin Sulfate
4. Bacitracin methylene disalicylate	17. Narasin	4. Neomycin Sulfate
5. Enramycin	18. Maduramycin ammonium	5. Penicillin
6. Tylosin	19. Apramycin	6. Lincomycin HC1
7. Colistin sulfate	20. Avilamycin	7. Bacitracin methylene disalicylate
8. Neomycin sulfate	21. Semduramycin	
9. Salinomycin	22. Clopidol	
10. Monensin sodium	23. Sulfathiazole	
11. Virginiamycin	24. Fenbendazole	
12. Lincomycin Hcl	25. Diclazuril	
13. Lasalocid sodium		

Ministry of Agriculture and Forestry (MAF)

Korea's certification requirements for imports of U.S. poultry meat and other meat products are available at the following website, maintained by USDA's Food Safety Inspection Service (FSIS): <http://www.fsis.usda.gov/Regulations & Policies/Republic of Korea Requirements/index.asp>

Korea's certification requirements for imports of day-old chicks and hatching eggs from the United States are available at the following website, maintained by USDA's Animal Plant Health Inspection Service (APHIS): <http://www.aphis.usda.gov/NCIE/iregs/animals/ks.html>

TBT Issues

About 60 percent of poultry meat remains unpackaged after it leaves the slaughter plant. In an effort to enhance product safety, MAF has started a mandatory packaging requirement for poultry products sold at retail outlets. Beginning January 1, 2007, poultry slaughter establishments with a daily capacity of more than 80,000 birds were required to package all products that would be sold at the retail level. On January 1, 2009 this requirement will be expanded to include all establishments as well as imports. This requirement is not expected to disrupt trade since imported poultry meat from the United States is mainly used in the manufacturing of processed poultry meat products.

Useful Websites

Livestock statistics: www.maf.go.kr

Price information: www.nacf.co.kr

Production forecasts: www.krei.or.kr

Production costs: www.naqs.go.kr

Broiler market situation: www.chicken.or.kr

PS&D

PSD Table										
Country	Korea, Republic of									
Commodity	Poultry, Meat, Broiler									
	2006	Revised	2007	Estimate	2008	Forecast	(MIL HEAD)(1000 MT)(PERCENT)			
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	UOM
Market Year Begin	01/2006	01/2006	01/2006	01/2007	01/2007	01/2007	01/2008	01/2008	01/2008	MM/YYYY
Inventory (Reference)	67	67	67	69	69	73	0	0	71	(MIL HEAC
Slaughter (Reference)	606	606	606	624	624	647	0	0	634	(MIL HEAC
Beginning Stocks	0	0	0	0	0	0	0	0	0	(1000 MT)
Production	563	563	481	580	580	512	0	0	502	(1000 MT)
Whole, Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
Parts, Imports	70	65	76	75	70	61	0	0	61	(1000 MT)
Intra-EU Imports	4	4	4	5	5	1	0	0	1	(1000 MT)
Other Imports	61	61	72	65	65	60	0	0	60	(1000 MT)
Total Imports	70	65	76	75	70	61	0	0	61	(1000 MT)
Total Supply	633	628	557	655	650	573	0	0	563	(1000 MT)
Whole, Exports	2	2	1	2	2	1	0	0	1	(1000 MT)
Parts, Exports	1	0	2	1	0	4	0	0	4	(1000 MT)
Intra EU Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Other Exports	3	3	3	3	3	5	0	0	5	(1000 MT)
Total Exports	3	2	3	3	2	5	0	0	5	(1000 MT)
Human Consumption	630	625	554	652	647	568	0	0	557	(1000 MT)
Other Use, Losses	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Dom. Consumption	630	625	554	652	647	568	0	0	557	(1000 MT)
Total Use	633	627	557	655	649	573	0	0	562	(1000 MT)
Ending Stocks	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Distribution	633	627	557	655	649	573	0	0	562	(1000 MT)
CY Imp. from U.S.	39	39	40	39	39	20	0	0	18	(1000 MT)
CY Exp. to U.S.	0	1	0	0	1	0	0	0	0	(1000 MT)
Balance	0	-1	0	0	-1	0	0	0	-1	(1000 MT)
Inventory Balance	0	0	0	0	0	0	0	0	0	(1000 MT)
Production Change	5	0	-15	3	3	6	-100	-100	-2	(PERCENT
Import Change	19	0	17	7	8	-20	-100	-100	0	(PERCENT
Export Change	50	0	50	0	0	67	-100	-100	0	(PERCENT
Trade Balance	-67	-63	-73	-72	-68	-56	0	0	-56	(1000 MT)
Consumption Change	6	0	-11	3	4	3	-100	-100	-2	(PERCENT
		TS=TD			TS=TD				TS=TD	
		-1			-1				-1	

Not Official USDA Data

Production And Consumption Tables**Korea: Broiler Inventories 1/**

(Unit: 1,000 birds)

Year	Farms	Birds
1990	3,589	26,719
1995	3,601	43,412
2000	2,859	59,910
2001	3,016	66,742
2002	3,126	72,193
2003	2,226	66,756
2004	2,237	68,526
2005	2,678	88,137
2006	2,016	84,279
2007	2,028	87,359

Source: National Agriculture Quality Service, Ministry of Agriculture & Forestry
1/ June Inventories

Korea: Broiler Productivity

Year	Daily Gain (Gram)	Feeding Days (Days)	Average Weight (Kilogram)
1985	33.3	55.5	N/A
1990	38.0	48.2	N/A
1995	38.4	44.3	N/A
2000	39.4	38.8	1.53
2001	40.5	36.8	1.49
2002	39.4	38.8	1.55
2003	38.30	36.97	1.40
2004	36.23	37.99	1.34
2005	37.64	36.73	1.38
2006	38.82	36.28	1.38

Source: National Agriculture Quality Service, Ministry of Agriculture & Forestry

Korea: Broiler Production Costs

(Korean Won per Kilogram in Live Weight)

Item	CY 2005		CY 2006	
	Average Cost	Component Ratio (%)	Average Cost	Component Ratio (%)
Feed	521	52	506	50
Chicks	279	28	288	29
Family Labor	47	5	40	4
Vet & Medicine	27	2	31	3
Water, Power, etc.	40	3	46	5
Other	97	10	92	9
Total	1,011	100	1,003	100
By Product	3	-	2	-
Cost Total	1,008	-	1,001	-

Source: National Agriculture Quality Service, Ministry of Agriculture & Forestry

Korea: Per Capita Consumption of Livestock Products

(Unit: Kilogram, boneless basis)

Year	Total Meat	Beef	Pork	Chicken	Egg
1995	27.5	6.7	14.8	6.0	10.1
1997	29.3	7.9	15.3	6.1	10.4
1999	30.5	8.4	16.1	6.0	9.9
2000	31.9	8.5	16.5	6.9	10.3
2001	32.2	8.1	16.8	7.3	11.1
2002	33.5	8.5	17.0	8.0	11.3
2003	33.4	8.1	17.4	7.9	10.5
2004	31.3	6.8	17.9	6.6	10.6
2005	32.1	6.7	17.8	7.6	12.1
2006	33.1	6.8	18.3	8.0	11
2007 1/	34.6	7.9	18.4	8.3	11.1

Source: Ministry of Agriculture & Forestry

1 / Preliminary forecast by the Korea Rural Economic Institute

Price Tables

Korea: Yearly Average Broiler Prices

(Korean Won/Kg, boneless basis)

Year	2003	2004	2005	2006	2007 1/
Farm Price	938	1,415	1,440	1,195	1,063
Wholesale Price	1,850	2,475	2,469	2,162	1,946
Consumer Price	2,490	3,094	3,765	3,691	3,737

Source: National Agricultural Cooperative Federation
1/ Average price, January through July 2007

Korea: Farm Price for Chicken Meat

Commodity	Chicken Meat, Farm Price Unit: Korean Won per Kilogram				
	Year	2005	2006	2007	% Change comparing to previous year
Month					
Jan.		1,572	1,340	1,132	-16
Feb.		1,816	1,301	1,072	-18
Mar.		1,883	1,580	1,097	-31
Apr.		1,901	1,204	961	-20
May		1,855	945	1,025	8
Jun.		1,517	1,151	989	-14
Jul.		1,611	1,339	1,165	-13
Aug.		1,308	1,478		13
Sep.		857	1,084		26
Oct.		914	994		9
Nov.		801	1,120		40
Dec.		1,337	769		-42

Source: National Agricultural Cooperative Federation
1 / August 1, 2006 Spot Price

Korea: Wholesale Price for Chicken Meat

Commodity	Chicken Meat, Wholesale Price Unit: Korean Won per Kilogram			
Year	2005	2006	2007	% Change comparing to previous year
Month				
Jan.	2,679	2,382	1,973	-17
Feb.	2,940	2,318	1,919	-17
Mar.	3,081	2,697	2,017	-25
Apr.	3,097	2,180	1,809	-17
May	2,994	1,822	1,904	5
Jun.	2,545	2,091	1,869	-11
Jul.	2,707	2,378	2,128	-11
Aug.	2,296	2,513		9
Sep.	1,668	2,018		21
Oct.	1,787	1,916		7
Nov.	1,582	2,023		28
Dec.	2,362	1,520		-36

Source: National Agricultural Cooperative Federation
1/ August 1, 2006 Spot Price

Korea: Consumer Price for Chicken Meat

Commodity	Chicken Meat, Consumer Price Unit: Korean Won per Kilogram			
Year	2005	2006	2007	% Change comparing to previous year
Month				
Jan.	3,661	3,604	3,750	4
Feb.	3,902	3,406	3,893	14
Mar.	3,823	3,669	3,815	4
Apr.	3,872	3,432	3,825	11
May	4,034	3,532	3,691	5
Jun.	3,933	3,756	3,514	-6
Jul.	4,073	3,996	3,670	-8
Aug.	4,018	4,061		1
Sep.	3,652	3,919		7
Oct.	3,447	3,638		6
Nov.	3,297	3,599		9
Dec.	3,506	3,627		3

Source: National Agricultural Cooperative Federation and Agricultural & Fishery Marketing Corporation
1/ August 1, 2006 Spot Price

Trade Matrix

Korea: Import Matrix for Chicken Meat 1/

Import Trade Matrix								
Country: Korea								
Commodity: Chicken Meat					Unit: MT & U\$1,000, RTC Basis			
Imports for	CY 2005		CY 2006		Jan. - Jun. 2006		Jan. - Jun. 2007	
Country	Vol	Val	Vol	Val	Vol	Val	Vol	Val
U.S.	20,652	30,600	40,482	37,328	23,119	22,368	10,866	11,118
Others								
Thailand	4,870	12,600	3,266	9,775	1,286	3,831	1,696	5,154
P.R.C.	7,164	18,547	11,484	33,112	5,394	15,262	6,489	18,968
Canada	23	22	118	99	47	27	0	0
Denmark	20,346	41,239	4,088	6,459	3,584	5,794	651	1,353
France	1,845	3,037	256	390	256	390	0	0
U.K.	2,282	4,161	0	0	0	0	0	0
Germany	131	288	24	39	0	0	0	0
Japan	3	25	0	0	0	0	1	7
Brazil	1,140	2,430	15,847	31,071	4,486	8,589	10,876	20,576
Australia	48	86	2	15	0	0	23	15
Other	0	0	10	18	1	11	0	0
Total for Others	37,852	82,435	35,095	80,978	15,054	33,904	19,736	46,073
Grand Total	58,504	113,035	75,577	118,306	38,173	56,272	30,602	57,191

1/ HS 0207.1X.XXXX plus HS 1602.32.XXXX

Source: Korea Customs Service

Korea: Export Matrix for Chicken Meat 1/

Export Trade Matrix								
Country: Korea								
Commodity: Chicken Meat					Unit: MT & U\$1,000, RTC Basis			
Imports for	CY 2005		CY 2006		Jan. - Jun. 2006		Jan. - Jun. 2007	
Country	Vol	Val	Vol	Val	Vol	Val	Vol	Val
U.S.	0	0	15	3	0	0	0	0
Others								
Hong Kong	1,248	1,441	1,444	1,690	770	868	65	111
Japan	998	3,656	957	3,337	462	1,666	270	1,122
P.R.C.	76	182	1	3	1	2	77	19
Taiwan	78	316	278	1,120	87	353	117	472
Thailand	27	70	20	8	0	0	0	0
Vietnam	24	21	21	23	0	0	2,140	2,035
Iraq	9	54	0	0	0	0	30	199
Turkey	10	55	58	341	45	263	0	0
Australia	0	0	47	18	44	7	0	0
Russia	0	0	0	0	0	0	0	0
Other	8	37	13	51	4	20	7	34
Total for Others	2,478	5,832	2,839	6,591	1,413	3,179	2,706	3,992
Grand Total	2,478	5,832	2,854	6,594	1,413	3,179	2,706	3,992

1/ HS 0207.1X.XXXX plus HS 1602.32.XXXX

Source: Korea Customs Service